

**STATE OF ILLINOIS**

**ILLINOIS COMMERCE COMMISSION**

<b>Commonwealth Edison Company</b>	:	
	:	
<b>Proposed tariff revisions to comply</b>	:	<b>09-0433</b>
<b>with Section 16-111.8 of the Public</b>	:	
<b>Utilities Act. (tariffs filed September</b>	:	
<b>8, 2009)</b>	:	

**PROPOSED ORDER**

By the Commission:

**I. INTRODUCTION**

On July 10, 2009, various revisions to the Public Utilities Act ("Act"), 220 ILCS 5/1-101 et seq., the Illinois Power Agency Act, 20 ILCS 3855/1-1 et seq., and the Energy Assistance Act, 305 ILCS 20/1 et seq., set forth in Public Act 96-0033 became effective. Among the revisions to the Act is the addition of Section 16-111.8 concerning electric utilities and Section 19-145 concerning gas utilities. These Sections of the Act are substantively identical and provide electric and gas utilities with the opportunity to establish an automatic adjustment clause tariff for the collection of "uncollectibles." "Uncollectibles" in Illinois utility parlance are those amounts billed by a utility to customers that remain unpaid and are eventually deemed by the utility to be uncollectible.

Traditionally, an annual average of uncollectibles has been included in utilities' base rates as such are determined in rate cases before the Illinois Commerce Commission ("Commission"). Under the traditional method, recovery of a utility's exact amount of uncollectibles in any given year is unlikely, but is nevertheless consistent with general rate making principles. Under the recently enacted statutory provisions, a utility is permitted, at its election, to recover through an automatic adjustment clause tariff the incremental difference between its actual uncollectible amount as set forth in Account 904 in the utility's most recent annual Federal Energy Regulatory Commission ("FERC") Form 1 for electric utilities and Form 21 ILCC for gas utilities and the uncollectible amount included in the utility's rates for the period reported in such annual FERC Form 1 for electric utilities and Form 21 ILCC for gas utilities. So long as the provisions of Sections 16-111.8 and 19-145 are satisfied, the Act obligates the Commission to approve a utility's uncollectibles tariff.

On September 8, 2009, Commonwealth Edison Company ("ComEd") filed tariffs with the Commission establishing an uncollectibles cost recovery mechanism under Section 16-111.8 of the Act ("ComEd's filing"). ComEd's proposed tariff sheets reflect revisions to Rate BES-Basic Electric Service ("Rate BES"), Rate BESH-Basic Electric

Service Hourly Pricing ("Rate BESH"), Rate RDS-Retail Delivery Service ("Rate RDS"), Rider AMP-Advanced Metering Program Adjustment ("Rider AMP"), Rider EDA-Energy Efficiency and Demand Response Adjustment ("Rider EDA"), Rider ZSS-Zero Standard Service ("Rider ZSS") and Rider UF-Uncollectible Factors ("Rider UF"). The proposed tariff sheets were to become effective March 9, 2010. On September 29, 2009, the Commission entered a Suspension Order so that the propriety of the proposed tariff sheets could be considered.

Pursuant to due notice, hearings were held in this matter before duly authorized Administrative Law Judges of the Commission at its offices in Springfield, Illinois on October 13 and December 2, 2009. The Citizens Utility Board ("CUB") filed a petition to intervene, which was granted. Commission Staff ("Staff") participated as well. Appearances were entered by counsel on behalf of ComEd, Staff, and CUB. ComEd offered the testimony of Lawrence Alongi, ComEd's Manager of Retail Rates. Staff offered the testimony of Bonita Pearce, an Accountant in the Accounting Department of the Financial Analysis Division of the Commission's Bureau of Public Utilities, and Steven Knepler, a Supervisor in the Accounting Department. No witness testified on behalf of CUB. At the evidentiary hearing, ComEd indicated that it accepts Staff's position as expressed in the direct testimony of Ms. Pearce and as implemented in ComEd Ex. 2.1 attached to the rebuttal testimony of Mr. Alongi. Staff stated that it has no objection to ComEd's implementation of Staff's position as reflected in ComEd Ex. 2.1. CUB has no objection to Staff's position. At the close of the evidentiary hearing, the record was marked "Heard and Taken."

## **II. STATUTORY FRAMEWORK**

Section 16-111.8 of the Act governs the filing and Commission review of an uncollectibles tariff. Section 16-111.8 provides as follows:

(a) An electric utility shall be permitted, at its election, to recover through an automatic adjustment clause tariff the incremental difference between its actual uncollectible amount as set forth in Account 904 in the utility's most recent annual FERC Form 1 and the uncollectible amount included in the utility's rates for the period reported in such annual FERC Form 1. The Commission may, in a proceeding to review a general rate case filed subsequent to the effective date of the tariff established under this Section, prospectively switch from using the actual uncollectible amount set forth in Account 904 to using net write-offs in such tariff, but only if net write-offs are also used to determine the utility's uncollectible amount in rates. In the event the Commission requires such a change, it shall be made effective at the beginning of the first full calendar year after the new rates approved in such proceeding are first placed in effect and an adjustment shall be made, if necessary, to ensure the change does not result in double-recovery or unrecovered uncollectible amounts for any year. For purposes of this Section, "uncollectible amount" means the expense set forth in Account 904 of the utility's FERC Form 1 or cost of

net write-offs as appropriate. In the event the utility's rates change during the period of time reported in its most recent annual FERC Form 1, the uncollectible amount included in the utility's rates during such period of time for purposes of this Section will be a weighted average, based on revenues earned during such period by the utility under each set of rates, of the uncollectible amount included in the utility's rates at the beginning of such period and at the end of such period. This difference may either be a charge or a credit to customers depending on whether the uncollectible amount is more or less than the uncollectible amount then included in the utility's rates.

(b) The tariff may be established outside the context of a general rate case filing and shall specify the terms of any applicable audit. The Commission shall review and by order approve, or approve as modified, the proposed tariff within 180 days after the date on which it is filed. Charges and credits under the tariff shall be allocated to the appropriate customer class or classes. In addition, customers who purchase their electric supply from an alternative retail electric supplier shall not be charged by the utility for uncollectible amounts associated with electric supply provided by the utility to the utility's customers, provided that nothing in this Section is intended to affect or alter the rights and obligations imposed pursuant to Section 16-118 of this Act and any Commission order issued thereunder. Upon approval of the tariff, the utility shall, based on the 2008 FERC Form 1, apply the appropriate credit or charge based on the full year 2008 amounts for the remainder of the 2010 calendar year. Starting with the 2009 FERC Form 1 reporting period and each subsequent period, the utility shall apply the appropriate credit or charge over a 12-month period beginning with the June billing period and ending with the May billing period, with the first such billing period beginning June 2010.

(c) The approved tariff shall provide that the utility shall file a petition with the Commission annually, no later than August 31st, seeking initiation of an annual review to reconcile all amounts collected with the actual uncollectible amount in the prior period. As part of its review, the Commission shall verify that the utility collects no more and no less than its actual uncollectible amount in each applicable FERC Form 1 reporting period. The Commission shall review the prudence and reasonableness of the utility's actions to pursue minimization and collection of uncollectibles which shall include, at a minimum, the 6 enumerated criteria set forth in this Section. The Commission shall determine any required adjustments and may include suggestions for prospective changes in current practices. Nothing in this Section or the implementing tariffs shall affect or alter the electric utility's existing obligation to pursue collection of uncollectibles or the electric utility's right to disconnect service. A utility that has in effect a tariff authorized by this Section shall pursue

minimization of and collection of uncollectibles through the following activities, including, but not limited to:

- (1) identifying customers with late payments;
- (2) contacting the customers in an effort to obtain payment;
- (3) providing delinquent customers with information about possible options, including payment plans and assistance programs;
- (4) serving disconnection notices;
- (5) implementing disconnections based on the level of uncollectibles; and
- (6) pursuing collection activities based on the level of uncollectibles.

(d) Nothing in this Section shall be construed to require a utility to immediately disconnect service for nonpayment.

(220 ILCS 5/16-111.8.)

### **III. COMED'S POSITION**

#### **A. Overview of ComEd's Filing**

ComEd notes that this filing was designed to allow ComEd to recover the incremental difference between its actual uncollectible amount, set forth as its bad debt expense in Account No. 904 in its FERC Form 1: Annual Report of Major Electric Utilities, Licensees and Others and the uncollectible amounts included in its existing rates, as provided in Section 16-111.8 of the Act. ComEd's filing included proposed revisions to Rate BES, Rate BESH, Rate RDS, Rider AMP, Rider EDA, Rider UF, and Rider ZSS.

#### **B. Current Recovery of Uncollectible Costs Included in Base Rates**

ComEd states that in its current methodology for recovery of uncollectible amounts for distribution service, a specific amount of uncollectible costs are reflected in the distribution revenue requirement set by the Commission in its Order in Docket No. 07-0566. ComEd therefore recovers the uncollectible amounts included in its existing rates through the application of Customer Charges, Standard Metering Service Charges, and Distribution Facilities Charges, collectively, the standard delivery service charges, in accordance with the provisions of Rate BES, Rate BESH, and Rate RDS. Concerning electric power and energy supply and transmission service, ComEd recovers its uncollectible costs through the application of a multiplier adjustment to base supply-related charges which is included in the Purchased Electricity Charges and PJM Services Charges applied in accordance with the provisions of Rate BES, as well as in the Capacity Charges, Hourly Energy Charges, PJM Services Charges, and Miscellaneous Component Charges applied in accordance with the provisions of Rate

BESH and Rider PPO – Power Purchase Option (“Rider PPO”). ComEd states that these multipliers are identified in ComEd’s proposed revision of Rider UF as the base uncollectible cost factors (“BUFs”), and that together, these amounts represent the “uncollectible amounts included in the utilities rates” as described in Section 16-111.8(a) of the Act.

ComEd proposes to recover the uncollectible amounts included in its existing rates through the BUFs that are described in the Base Uncollectible Cost Factors section of the proposed revised Rider UF at 1st Revised Sheet No. 267, and that these provisions are unchanged from currently effective tariff provisions.

### **C. Recovery of Incremental Uncollectible Costs**

ComEd proposes to recover the incremental difference between its actual uncollectible amount, set forth as its bad debt expense in Account No. 904 in its FERC Form 1 and the uncollectible amounts included in its existing rates. ComEd’s proposed tariff revisions provide for the determination of incremental uncollectible cost factors that are applied as multipliers to base charges, which is consistent with the manner in which ComEd is currently applying the supply-related BUFs.

With respect to the provision of Section 16-111.8(b) that requires the incremental uncollectible cost factors be “allocated to the appropriate customer class or classes”, ComEd’s filing provides for distinct incremental cost factors to be determined for three different customer groupings: residential customers; nonresidential customers to which the Watt-Hour Delivery Class, Small Load Delivery Class, Medium Load Delivery Class, and Large Load Delivery Class are applicable; and all other customers.

ComEd addresses Section 16-111.8(b)’s requirement that “customers who purchase their electric supply from an alternative retail electric supplier shall not be charged by the utility for uncollectible amounts associated with electric supply provided by the utility to the utility’s customers” by providing for the determination and application of two sets of incremental uncollectible cost factors, incremental distribution uncollectible cost factors (“IDUFs”) and incremental supply uncollectible cost factors (“ISUFs”). ISUFs are determined to provide for the recovery of incremental uncollectible costs associated with the supply of electricity by ComEd to its customers and are to be applied only to customers for which ComEd supplies electric power and energy. ISUFs determined in accordance with the proposed provisions of Rider UF are applied as multipliers to the Purchased Electricity Charges and PJM Service Charges in accordance with the proposed provisions of Rate BES. Separate ISUFs are proposed to be determined for the three different customer groupings, and a system average ISUF, consistent with current tariff provisions, is applied as a multiplier in the computation of the Capacity Charges, Hourly Energy Charges, PJM Services Charges, and Miscellaneous Component Charges in accordance with the proposed provisions of Rate BESH and Rider PPO.

ComEd explains that IDUFs are determined to provide for the recovery of the remaining incremental uncollectible costs incurred by ComEd and are proposed to be applicable to all customers. IDUFs determined in accordance with the proposed provisions of Rider UF are applied as multipliers to the standard delivery service charges, as shown in the proposed revisions of Rate RDS.

ComEd explains that its filing effectuates the recovery, during the year 2010, of the incremental difference between its bad debt expense in Account No. 904 in its FERC Form 1 for the year 2008 and the uncollectible amounts included in its existing rates during the year 2008 as provided in Section 16-111.8(b) of the Act.

ComEd's proposal effectuates the recovery of the incremental difference between its bad debt expense in Account No. 904 in its FERC Form 1 for the year 2009 and the uncollectible amounts included in its existing rates during the year 2009, and for each year thereafter, as provided in Section 16-111.8(b) of the Act. ComEd's proposed revisions to Rider UF include two new sections – Incremental Distribution Uncollectible Cost Factors and Incremental Supply Uncollectible Cost Factors – which provide the equations used to determine the applicable IDUFs and ISUFs, respectively, that effectuate the recovery of the incremental difference between ComEd's bad debt expense in Account No. 904 in its FERC Form 1 for the year 2009 and the uncollectible amounts included in its existing rates during the year 2009, and for each year thereafter, as provided in Section 16-111.8(b) of the Act. ComEd's proposed tariff revisions also allow for revisions to IDUFs or ISUFs in the event that expected distribution revenues or supply related revenues, respectively, are subjected to a known significant change.

ComEd's filing also addresses the provision of Section 16-111.8(c) that requires ComEd to collect "no more and no less than its actual uncollectible amount". To ensure that there is no over or under collection of uncollectible costs, ComEd's proposed tariff revisions include two separate factors in the computation of the IDUFs and ISUFs. The first factor is a balancing factor that ComEd determines each year. The second factor is an ordered reconciliation factor that would be incorporated into the determination of the IDUFs or ISUFs in accordance with direction from the ICC.

ComEd notes that beginning with the September 2011 monthly billing period, a distribution balancing factor ("DBF") will be incorporated into the determination of each IDUF and a supply balancing factor ("SBF") will be incorporated into the determination of each ISUF, and for each of the three customer groupings, an SBF is determined each year.

ComEd states that it would be required to file a petition with the Commission each year beginning in 2011 to review the reconciliation of ComEd's uncollectible costs and its recovery of those costs. The reconciliation review proceedings are to be conducted each year; however, the first reconciliation proceeding that is proposed to commence in the year 2011 is to provide for a review of uncollectible costs incurred in 2008 and 2009.

#### **D. Other Changes**

ComEd's filing also includes proposed revisions of Rider EDA and Rider AMP. ComEd currently recovers a very small portion of its uncollectible costs through the application of an adjustment to the Energy Efficiency and Demand Response Adjustment ("EDA"), and was preparing to similarly recover a small portion of its uncollectible costs through the application of an adjustment incorporated into the computation of the Advanced Metering Program ("AMP") Adjustment. With the proposed revisions in ComEd's tariffs, it is no longer necessary to attempt to recover small portions of such incremental uncollectible costs through these riders.

ComEd also explained that the purpose of the additional language ComEd proposes to add to the Miscellaneous General Provisions section of Rider UF is to ensure that uncollectible costs incurred by ComEd that are associated with receivables purchased by ComEd in accordance with Section 16-118 of the Act will not be recovered through the application of the incremental uncollectible cost factors applied to customers.

ComEd is requesting that the Commission approve the proposed tariff revisions to become effective on March 9, 2010. This effective date, which is 182 days after the September 8, 2009, filing date, allows the Commission a period of 180 days to review the proposed tariff provisions submitted in this filing in accordance with the provisions of Section 16-111.8(b) of the Act and two extra days following the end of such review period to allow for a review of any required compliance filing of approved tariff provisions consistent with the provisions of Section 9-201(b) of the Act.

#### **IV. STAFF'S POSITION**

##### **A. Direct Testimony of Ms. Pearce**

##### **1. Overview of Staff's Review and Proposed Changes**

Staff witness Pearce testified about the results of her review of the tariff revisions proposed by ComEd pursuant to Section 16-111.8 of the Act. She stated that she had reviewed ComEd's proposed tariff sheets and recommended changes to certain proposed language so that the tariffs approved by the Commission comply with Section 16-111.8. In addition, she proposed other changes so that there is consistency to the extent practicable among the Illinois electric and gas utility uncollectible tariffs authorized by Sections 16-111.8 and 19-145 of the Act.

Ms. Pearce testified that she disagreed with ComEd's proposed tariff language that indicated ComEd's method of determining the uncollectibles amount included in rates. According to Ms. Pearce, under ComEd's method it could either collect "more than or less than" its actual uncollectibles expense recorded in Account 904 for the respective year. She took the position that the Account 904 amount reported in ComEd's FERC Form 1 for 2008 should be compared to the "uncollectibles amount

included in the utility's rates for the period reported in such annual FERC Form 1," which she interpreted to refer to the uncollectibles amount recovered through 2008 revenues and not to the test year uncollectibles expense because the test year uncollectibles expense is not reflected in FERC Form 1. She claimed that FERC Form 1 reports the actual revenues and expenses for the reporting year.

Ms. Pearce proposed that the uncollectibles amount included in delivery service rates be the uncollectibles amount actually included in the rates charged to customers for the period. She testified this would be accomplished by applying the Delivery Uncollectibles Factor ("DUF") to the actual revenues billed for the period. Thus, the amount to be recovered through the proposed uncollectibles rider would be the difference between actual amounts included in rates billed for the period and the actual expense recorded in Account 904.

Ms. Pearce further claimed that the Uncollectibles Factor should be set in future rate cases for both delivery uncollectibles and supply uncollectibles, if not already established. Because ComEd is not currently involved in rate case proceedings, Ms. Pearce recommended that factors not already established be determined using information from ComEd's most recent rate case for each applicable period. Additionally, she recommended that such factors be updated in future rate cases, in accordance with final Commission orders.

## **2. Proposed Changes to Rider UF**

Ms. Pearce proposed to change ComEd's definition of the amount of uncollectibles included in rates and to perform the associated calculation for the IDUF, by replacing the term "BDU - Base Distribution Uncollectible Costs" with the term "DUR - Delivery Uncollectible Revenue" and the associated definition of uncollectible expense that is considered to be "included in rates." Ms. Pearce testified that this new term and the associated definition appear on ILL. C. C. No. 10, Original Sheet Nos. 267.1 and 267.5, which are attached to her direct testimony as Attachment A.

Ms. Pearce further testified that, for Rider UF, she did not recommend changes to the Basic Supply Uncollectible Revenues ("BSUR") factor as proposed by ComEd because ComEd followed the methodology she proposed, with the exception of changing the terminology to Supply Uncollectible Revenues ("SUR"). Ms. Pearce agreed that the definition and calculation of the BSUR proposed by ComEd complies with Section 16-111.8 of the Act.

Ms. Pearce also explained how her methodology for calculating the amount included in rates compared with ComEd's methodology. She claimed that her methodology reflected that, on a combined basis for 2008 and 2009, approximately \$146,000 less uncollectibles were included in rates than the amount reflected in ComEd's test year uncollectibles expenses, which are what ComEd used in its methodology. She noted that the ISUF impact was not included in her calculation because she did not take issue with the calculation as proposed by ComEd for that



component. Applying her own recommended methodology to determine the uncollectible amount included in rates resulted in the IDUF to be recovered through the uncollectibles rider to be less in 2008 and greater in 2009 than ComEd's method. Ms. Pearce claimed that, under her methodology, the uncollectible amount included in rates varied because her proposed methodology took into account the embedded uncollectibles amount included in rates charged to ratepayers. For the periods analyzed, the amounts she considered "included in rates" were \$145,901 less – on an overall basis for 2008 and 2009 – than the uncollectibles expense reflected in ComEd's test year revenue requirements in the Commission Orders in Docket No. 07-0566 and Docket No. 05-0597, respectively.

### **3. Rationale for Proposed Changes**

Ms. Pearce claimed that her methodology is more appropriate than ComEd's proposal because her methodology compares actual amounts included in rates charged to customers to recover an amount for uncollectibles with actual Account 904 expense, whereas ComEd's proposal would compare test year uncollectibles expense with actual Account 904 expense for the applicable period. She noted that the amount of uncollectibles expense included in the test year revenue requirement is a function of the uncollectibles percentage approved in the rate case applied to the approved revenues, and therefore the uncollectibles expense included in the revenue requirement is merely an estimated amount for uncollectibles expenses based on all of the assumptions made in determining the test year revenue requirement.

Ms. Pearce testified that her recommended changes would meet four objectives: (1) Clarify in the tariff that "the uncollectible amount included in the utility's rates for the period reported in such annual FERC Form 1" does not refer to the dollar amount that was reflected as the "annual bad debt expense amount approved and included in revenue requirements used to establish Company's base rates by the Commission" as proposed in ComEd's tariff; (2) Maintain consistency in the measurement of the amounts collected for uncollectibles between the delivery service rates and the supply rates; (3) Ensure that the tariffs do not allow ComEd to double recover its uncollectibles expense under provisions of Section 16-111.8 of the Act; and (4) Provide that ComEd collects no more and no less than its actual uncollectibles amount in each respective FERC Form 1 reporting period, in accordance with paragraph (c) of Section 16-111.8 of the Act.

Ms. Pearce testified that her recommended method of determining the uncollectibles amounts included in rates represents a more accurate estimate of the uncollectibles amount included in rates than ComEd's method since it takes into account actual revenues for the period. She further claimed her methodology, using actual revenues, is also consistent with the Commission's historic practice of determining the embedded amount of cost that is included in base rates as discussed by Staff witness Knepler.

Ms. Pearce proposed that going forward, a similar factor be established for each customer class in each rate case to determine the amount of uncollectibles included in rates. That factor would replace the calculation UC/RR included in her formula for the DUR which is applied to actual delivery revenues for the period for each customer class. Ms. Pearce noted that uncollectible factors for supply services are already in place.

Ms. Pearce also clarified that she is not proposing that the total uncollectibles related to delivery services be recovered through this uncollectibles factor, as that would require that the uncollectibles be set to zero in the revenue requirement of future ComEd rate cases. She testified that her proposal would set factors at the time of a rate case for purposes of measuring the uncollectible amount included in rates under Rider UF. She also stated that her recommended process can be put in place in the tariffs approved in this case, and that the language she proposes to define factors DUR and SUR indicate that the uncollectibles factors will at some point in the future be set in a rate case proceeding. Ms. Pearce stated that she believes that the process she set forth for determining the DUR and SUR factors are the best proxy until such time as uncollectibles factors can be determined in future rate cases.

Ms. Pearce also recommended that, to ensure consistency, ComEd revise ILL. C. C. No. 10, Original Sheet No. 267.14 to include a section that requires an annual internal audit of its costs and recoveries of such costs pursuant to the rider.

## **B. Direct Testimony of Mr. Knepler**

Mr. Knepler testified about base rate and rider mechanisms in Illinois, and recommended some matters for the administration of the uncollectibles rider proposed by ComEd.

### **1. Base Rate and Rider Charges**

Mr. Knepler testified about the difference between a rider and other methods of recovery for a utility. He stated that utilities charge customers according to a set Commission-approved schedule of charges or tariffs, and that typically the Commission approves two broad categories of charges: (1) base rate charges, and (2) rider charges. Riders are generally designated to recover, dollar-for-dollar, a specific expense incurred by the utility in a given period and are subject to an annual reconciliation or true-up proceeding. Any over or under recovery is refunded or collected in the ensuing period.

Mr. Knepler claimed that riders have generally been used on a limited basis for the recovery of expenses that are unexpected, volatile or likely to fluctuate, and provided some examples of cost recovery riders that have been approved by the Commission.

With respect to how rider "revenues" or rider recoveries are determined, Mr. Knepler testified that the Commission has determined, for example, that in Fuel Adjustment Clause ("FAC") and Purchased Gas Adjustment ("PGA") reconciliations the

recoveries under the riders are based upon the actual unit sales of electricity (in KWhs) or gas (in therms) for the given reconciliation period.

Mr. Knepler testified that not all riders implement the same methodology to determine what costs are recoverable. For example, the FAC recovers the difference between actual costs and the costs recovered through base rates, while the PGA recovers all of the actual costs – in other words, no gas costs are recovered through base rates.

Mr. Knepler claimed the uncollectibles riders will recover the difference between actual costs and the costs recovered through base rates as does the FAC. He claimed that Sections 16-111.8 and 19-145 of the Act for electric and gas uncollectibles riders, respectively, authorize utilities to collect (or refund) the incremental difference between the actual uncollectible expense as recorded in Account 904 and the amount of uncollectibles included in rates.

Mr. Knepler testified that ComEd is proposing that the delivery service uncollectibles amount recovered through base rates should be the static or fixed amount stated in its last rate Order (*i.e.*, Docket No. 07-0566, Order Date September 10, 2008, Appendix, p. 1, Column (i), Line 6). He stated that for the 2008 uncollectible determination year, ComEd recovered rates authorized under the Commission's Order in Docket No. 05-0597 from January 1 to September 15, and under the Commission's Order in Docket No. 07-0566 from September 16 to December 31, 2008.

Mr. Knepler testified that Staff's proposal differs from ComEd's because Staff's proposal is based upon the concept that for each dollar of revenue earned, there is some component of uncollectibles being recovered. Staff's methodology requires that the determination of the uncollectibles amount included in rates be based upon the actual revenues, meaning actual amounts included in rates charged to customers for the appropriate reconciliation period, rather than the test year expense. Mr. Knepler stated that Staff is not opposed to ComEd's methodology of determining the uncollectible amount for Power Supply and related charges billed under Rider PE – Purchased Electricity ("Rider PE") (and only opposes ComEd's methodology with respect to the amount of Delivery Uncollectibles). Mr. Knepler stated ComEd's determination of the Power Supply uncollectible amount is appropriate because it is based upon the actual amount billed.

## **2. Rider Recovery Recommendation**

With regard to rider recovery recommendations, Mr. Knepler recommended that: (1) The Commission should adopt the methodology of determining the uncollectible amount included in rates sponsored by Staff Witness Pearce; (2) Implementation of the various utilities' uncollectibles riders should be done in a consistent manner, which would facilitate the administration and review by the Commission and Staff, and that it is reasonable that all utilities be required to comply with the same requirements; (3) The riders should employ the same terms, filing dates and audit requirements; (4)

Informational Sheets should be filed no later than the 20th of every month, which is consistent with the Informational Sheet filing date in the PGAs (83 Ill. Adm. Code 525.10(c)) and will give the Staff an opportunity to review the filing and the utilities an opportunity to correct the filing, if necessary, before the end of the month; (5) Annual internal audits of the utility should be required, placing the burden upon the utility for assuring the accuracy of its records; and (6) The utility should be required to file a petition with the Commission to initiate an annual reconciliation no later than August 31 for the previous reconciliation year, which will provide the utility ample time to prepare the reconciliation.

Concerning the recommendations for uniform administration, Mr. Knepler recommended that ComEd, in addition to all other Illinois utilities requesting uncollectibles riders, include the following common terms and common filing requirements: (1) The term for the amount of uncollectible amount recovered from delivery rates should be designated as the "DUR"; (2) The term for the amount of uncollectible amount recovered from supply charges should be designated as the "SUR"; (3) The term for the Supply Uncollectibles Factor should be designated as the "SUF"; (4) The term for the Delivery Uncollectibles Factor should be designated as the "DUF"; (5) All Informational Sheets should be filed the 20th of the preceding month, and corrections to a previously filed information sheet may be filed by the end of the preceding month; (6) An annual internal audit should be conducted for each uncollectibles rider and a report summarizing the internal audit and the annual reconciliation should be filed with the Commission's Manager of the Accounting Department by August 31st for the preceding reconciliation year; (7) The internal audit should include the following tests: (a) The uncollectibles costs recovered through the rider are not being recovered through other tariffs, (b) The incremental charge is properly billed, (c) The revenues are properly recorded, (d) The uncollectibles costs in Account 904 are properly recorded and reported in Form 21,<sup>1</sup> and (e) The scope of the test is not limited; and (8) The annual reconciliation shall be initiated by the utility filing a petition with the Commission no later than August 31st for the previous year.

## **V. COMED'S REBUTTAL**

Mr. Alongi responded to certain issues raised by Staff in its direct testimony, including (1) noting that the fundamental disagreement between ComEd and Staff with respect to the interpretation of Section 16-111.8 will be addressed by ComEd in its briefs, (2) addressing the administration and uniformity changes proposed by Mr. Knepler, and (3), in the event the Commission were to adopt the methodology to determine the IDUFs proposed by Ms. Pearce, presenting and explaining the revisions to Rider UF that would need to be made in order to properly implement that methodology.

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<sup>1</sup> The Commission notes that Section 16-111.8 of the Act uses FERC Form 1, not Form 21 ILCC, as the point of reference for electric utilities. Accordingly, the tariffs filed by ComEd in compliance with this Order should be revised to replace any reference to Form 21 with FERC Form 1.

**A. Rider UF Revisions to Accommodate Uniformity Among the Utilities' Proposals**

With respect to Staff's recommendation that informational filings of the incremental uncollectible cost factors should be filed no later than the 20th of every month, ComEd stated that it does not expect to file the factors every month. With that qualifier, generally in those instances where ComEd will be filing factors, ComEd proposes to do so by the 20th of the preceding month. ComEd proposes that the first set of factors that are associated with uncollectible costs incurred in 2008 are expected to be filed on or before March 20, 2010, and those factors are expected to be applicable for bills issued during the April 2010 through December 2010 monthly billing periods. The second set of factors that are associated with uncollectible costs incurred in 2009 are expected to be filed on or before May 20, 2010, and those factors are expected to be applicable for bills issued during the June 2010 through May 2011 monthly billing periods.

Thereafter, ComEd generally expects to make only two or three informational filings of the factors each year. That is, ComEd expects to make a filing on or before May 20 of each year for factors that will be effective beginning with the June monthly billing period. To the extent those factors require balancing, ComEd's proposed revisions to Rider UF have provisions to file adjusted factors on or before August 20 of that year for application beginning with the September monthly billing period. Rider UF also has provisions for filing adjusted factors in the event that the Commission orders ComEd to incorporate an adjustment to the factors following the annual reconciliation process.

Finally, separate from the generally expected filing provisions, Rider UF has proposed terms that address the filing of adjusted factors in the event that the factors change as the result of an order in a rate case which might require a compliance filing that cannot adhere to the 20th day of the month filing date recommended by Staff. ComEd's position is that although ComEd agrees that factors to be filed on a general basis should be filed on or before the 20th day of the preceding month, it is not appropriate to require that informational filings of the incremental uncollectible cost factors must be filed no later than the 20th of every month given that the factors will not change every month.

ComEd agreed with Staff's recommendation that ComEd must file a petition with the Commission no later than August 31 of each year to initiate a reconciliation proceeding that addresses the recovery of uncollectible costs, and explained that those provisions were already set forth in ComEd's original proposed revisions to Rider UF that were filed with the Commission on September 8, 2009.

With respect to Staff's proposal that certain annual audit provisions should be incorporated into each utility's uncollectibles tariff, ComEd noted that similar language was already in the originally proposed Annual Reconciliation section of Rider UF. The tariff provisions set forth in ComEd Ex. 2.1 on Sheets 267.15 and 267.16, therefore,

removed provisions that were redundant. Mr. Alongi further explained that ComEd's proposed tariff revisions state that the results of its internal audit of uncollectible costs and their recovery are to be provided not only to the Manager of Staff's Accounting Department, but also to the Director of Staff's Financial Analysis Division, and that ComEd must provide the results of that audit in a report that accompanies the petition ComEd must file by August 31 of each year to initiate a review and reconciliation of ComEd's uncollectible costs and their recovery.

**C. Rider UF Revisions to Accommodate Staff's Proposed Methodology to Determine IDUFs in the Event It Is Adopted**

ComEd is of the opinion that the changes provided in ComEd Ex. 2.1 provide the tariff provisions that would produce the results Staff intended to achieve.

ComEd agrees that, if Staff's proposed methodology were adopted, there should be changes made to the Base Uncollectible Cost Factors section of Rider UF. As part of his proposal for uniformity, Mr. Knepler suggested the use of two terms, SUF and the DUF, and Ms. Pearce utilized the DUF in her testimony. Based upon the manner in which Ms. Pearce used the term, DUF, ComEd believes it is also appropriate to make the revisions to the Base Uncollectible Cost Factors section of Rider UF that are shown on Sheet No. 267 in ComEd Ex. 2.1, which incorporates the uniformity provisions to use SUF and DUF proposed by Mr. Knepler.

Mr. Alongi further testified that he has concerns with respect to the changes proposed by Staff for the 2008 IDUF section and the IDUG section of Rider UF. Mr. Alongi explained that, although Staff's tariff revisions incorporated its proposed methodology to determine the IDUFs, they did not remove the conflicting tariff provisions that incorporated ComEd's methodology to determine the IDUFs. Mr. Alongi stated that ComEd Ex. 2.1 presents the corrected equations and tariff language that properly incorporate Staff's proposed methodology while fully removing provisions that incorporated the methodology proposed by ComEd.

Mr. Alongi also stated that the definition proposed for the DUR is incomplete. Although Staff's proposed tariff language provided that the DURs reflect the amount of uncollectible costs included in rates associated with delivery services, Staff's proposed equations to determine the DURs additionally incorporate amounts for uncollectible costs associated with the application of the EDA. Mr. Alongi testified that ComEd Ex. 2.1 clarifies the definitions for  $DUR_{C8}$  and  $DUR_{CY}$ , respectively, so that they correctly identify that the DURs include amounts associated with the recovery of uncollectible costs accrued through the application of the EDA in accordance with the provisions of Rider EDA in addition to amounts associated with the recovery of uncollectible costs accrued through rates associated with delivery services.

ComEd also identified certain issues with how Staff's proposed changes incorporate the amounts associated with the recovery of the uncollectible costs accrued through the application of the EDAs. While Staff's proposed changes incorporated the

amounts associated with the recovery of uncollectible costs accrued through the application of the EDA upfront in the determination of the DURs, they also retained the language pertaining to the manner in which ComEd originally proposed to address these amounts. ComEd removed the reference to these amounts from the definition of  $RUC_D$  in ComEd Ex. 2.1 because they are now addressed in the determination of  $DUR_{C8}$  and  $DUR_{CY}$ , respectively. ComEd further proposed the acronym EDAUR, which is designed to make clear that these amounts are associated with the recovery of uncollectible costs accrued through the application of the EDA.

Mr. Alongi also identified other tariff provisions proposed by Staff about which ComEd had concerns, which include additional instances where language needs to be corrected or clarified in the event Staff's proposed methodology is adopted, including:

(1) On Sheet 267.1 of Staff's proposed tariff revision, the proposed language provided that "If two different base rates were in effect during a reporting year, the DUR amounts for each period shall be independently calculated according to the above formula and summed for the IDUA calculation." This passage, however, is not necessary because ComEd's equations already include summation provisions (" $\Sigma$ "). Moreover, the passage references two terms that do not appear in ComEd's proposed tariffs – "IDUA" and "reporting year".

(2) ComEd proposes revisions to the definitions for and equations associated with  $DUF_{C8P}$  and  $DUF_{CYP}$  in ComEd Ex. 2.1, respectively, to strengthen the clarity and precision of these definitions and equations.

(3) Staff's proposed revisions use the generic term year ("Y") in the 2008 IDUF section, which is limited to the recovery of IDUFs associated with the bad debt expense for the year 2008 only. Moreover, the term Y is not defined until it is used later in the IDUF section of the rider. The revisions in ComEd Ex. 2.1 on Sheets 267.1 and 267.2 appropriately use 8 instead of Y for applicable tariff provisions in the 2008 IDUF section.

(4) In order for the provisions of Rider UF to incorporate Staff's methodology to determine IDUFs and allow it to be implemented in accordance with Staff's intentions, the equations that determine the  $DBF_c$  need to be revised. The equations provided on Sheets 267.7 and 267.8 in ComEd Ex. 2.1 incorporate the necessary revisions in order to allow Staff's methodology to be employed correctly.

(5) In all the equations in the Incremental Supply Uncollectible Cost Factors section of Rider UF in Staff Ex. 1.0 Attachment A, the "BSUR" term was not changed to the "SUR" term as proposed by Mr. Knepler. In accordance with Mr. Knepler's proposal, "SUR" replaces "BSUR" in the equations on Sheets 267.9 through 267.11 in ComEd Ex. 2.1.

(6) ComEd Ex. 2.1 also presents other minor revisions to the changes suggested by Staff in Rider UF to ensure they are consistent with ComEd's overall Schedule of Rates. For example, throughout ComEd's Schedule of Rates all references to the Illinois Commerce Commission, including those in ComEd's Rider UF, appear as "ICC" in conformance with the Definitions provided in ComEd's General Terms and Conditions.

(7) Staff's proposed revisions to Rider UF delete the phrase "each IDUF<sub>c</sub> must be greater than or equal to zero (0)" in the Miscellaneous General Provisions section of the rider while also retaining the phrase "each ISUF<sub>c</sub> must be greater than or equal to zero (0)" in that same section. This proposed revision introduces an inconsistency and is incorrect. IDUF<sub>c</sub>s may be equal to values that are between zero and one which would result in the determination of IDUF<sub>c</sub>s that essentially apply credits associated with uncollectible cost recovery, or they may be equal to values greater than one which would result in the determination of IDUF<sub>c</sub>s that essentially apply charges associated with uncollectible cost recovery. However, IDUF<sub>c</sub>s cannot be less than zero as properly expressed by the phrase in the Miscellaneous General Provisions section of Rider UF. The provisions on Sheet 267.16 in ComEd Ex. 2.1 therefore appropriately include this phrase.

## **VI. COMMISSION ANALYSIS AND CONCLUSION**

The Commission notes that based on the testimony and the representations of the parties in this proceeding that there are no contested issues remaining in this proceeding. The Commission notes that ComEd has agreed to accept Staff's position as reflected in the direct testimony of Ms. Pearce and as implemented in ComEd Ex. 2.1 to the rebuttal testimony of Mr. Alongi. Staff further does not object to ComEd's implementation of Ms. Pearce's position. The Commission finds that the Staff's proposal as implemented in ComEd Exh. 2.1 and as modified by footnote 1 of this Order is appropriate and will concur with the agreement of the parties. Accordingly, based on the record herein and with acknowledgement of the agreement reached between ComEd and Staff, the Commission concludes that the proposed tariff sheets filed on September 8, 2009, as modified by ComEd Exh. 2.1 and footnote 1 of this Order, are just and reasonable and hereby approved.

## **VII. FINDINGS AND ORDERING PARAGRAPHS**

The Commission, having considered the record herein, is of the opinion and finds that:

- (1) ComEd is an Illinois corporation engaged in the transmission, sale and distribution of electricity to the public in Illinois, and is a public utility as defined in Section 3-105 of the Public Utilities Act;



- (2) the Commission has jurisdiction over ComEd and the subject matter of this proceeding;
- (3) the statements of fact set forth in the prefatory portion of this Order are supported by the evidence and the record and are hereby adopted as findings of fact;
- (4) the tariff sheets reflecting the agreement reached between ComEd and Staff reflected in ComEd Ex. 2.1 and modified in footnote 1 of this Order, are just and reasonable;
- (5) because the tariff sheets proposed by ComEd in its initial filing do not reflect the subsequent agreement between Staff and ComEd regarding various modifications to the tariff sheets, ComEd's proposed tariff sheets should be permanently canceled and annulled consistent with the findings herein;
- (6) new tariff sheets in conformance with this Order should be filed by ComEd within Five business days of entry of this Order and shall reflect an effective date no later than March 9, 2010; and
- (7) the existing and effective tariff sheets to be replaced by those authorized in Finding (6) should be permanently canceled and annulled as of the effective date of the new tariff sheets authorized in Finding (6).

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that the tariff sheets at issue in this docket and presently in effect are hereby permanently canceled and annulled effective at such time as the new tariff sheets approved herein become effective by virtue of this Order.

IT IS FURTHER ORDERED that the proposed tariff sheets filed on September 8, 2009 by Commonwealth Edison Company are permanently canceled and annulled.

IT IS FURTHER ORDERED that Commonwealth Edison Company is authorized and directed to file new tariff sheets containing terms and provisions consistent with and reflective of the findings and determinations made in this Order.

IT IS FURTHER ORDERED that all motions, petitions, objections and other matters in this proceeding that remain unresolved are hereby disposed of in a manner consistent with the conclusions herein.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

DATED: January 14, 2010

John D. Albers  
J. Stephen Yoder  
Administrative Law Judges

Briefs on Exceptions to be filed by January 21, 2010.